


**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: OCT 20 2005

SUBJECT: Fiscal Impact Statement: "Other Tobacco Products Tax Amendment Act of 2005"

REFERENCE: Bill Number 16-117 as Amended

Conclusion

Funds are sufficient in the FY 2006 through FY 2009 budget and financial plan to implement the legislation. Enactment of the bill's provisions could result in increased cigarette tax revenue of approximately \$0.35 million beginning in FY 2006 and \$1.40 million in FY 2006 through FY 2009.

Background

The proposed legislation amends the definition used for cigarette taxation to include all other tobacco products. The definition will include all rolled tobacco products usually used for smoking as well as chewable and snuff products, except for premium cigar products.

Financial Plan Impact

The proposed legislation could result in tax revenue of \$0.35 million annually. Because the legislation will require the Office of Tax and Revenue (OTR) to track sales of these products which heretofore have been taxed at the District's sales tax rate, OTR will require additional staff and information technology resources to implement the bill's provisions.

The table in Figure 1 presents the projected cigarette tax revenue impacting the financial plan.

Figure 1.

Estimated Increase in Cigarette Tax Revenue					
(\$ in millions)					
Item	FY 2006	FY 2007	FY 2008	FY 2009	4 - Year Total
Revenue Increase	\$0.45	\$0.45	\$0.45	\$0.45	\$1.80
IT Costs	0.10	0.10	0.10	0.10	0.40
Net Annual Impact	\$0.35	\$0.35	\$0.35	\$0.35	\$1.40